

VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 332

May, 1988

Business In Virginia April, 1988 Data

In last month's issue we reported that the Virginia economy grew strongly in March and the full first quarter, with the notable exception of retail sales.

The April statistics show a pause in economic growth, as if the economy were catching its breath. Of the seven indicators for which we have April data, only Electricity Consumption increased compared to last April, up 4.9 percent. Four indicators revealed a leveling off during April: Building Permits, down 0.7 percent; New Car Registrations, off 0.1 percent; Retail Sales (April Store Sample), -1.2 percent; and Water Consumed, -2.4 percent. Two more recorded clear declines: Newspaper Advertising Lineage, down 4.8 percent; and Bank Debits, off 7.9 percent.

A one-month pause for a series that has shown strong growth—true for most of our indicators—is a frequent occurrence, no cause for alarm. However, the continuing softness in retail trade is worrisome. Retail sales subject to Virginia's general sales and use tax fell 1.9 percent in February (compared to February 1987) and 1.7 percent in March (last column, Table II). Our sample of retail stores reported decreases in sales per store of 0.4 percent in February, 1.3 percent in March, and now 1.2 percent in April.

Virginia households have not been buying quite as much of general retail trade goods as last spring. Why? The stock market crash? A loss of confidence? No, on both counts. Lack of jobs and income? Definitely not. Virginia's payroll jobs grew by 4.5 percent during the first quarter, and total resident income increased by 7.6 percent in 1987.

The most likely reason is Virginians went on a spending spree last fall and now want, or need, to bring their budgets into balance. The average monthly increase in Virginia's taxable retail sales from September through January was 12.6 percent, while the total income of Virginia residents was growing at less than 8 percent. Spending growth had to slow down soon, and it definitely did this spring. Once households' budgets are back in line, we expect taxable sales again will grow, but at a moderate rate more in line with income gains. RLP

Virginia's Per Capita Personal Income

The Bureau of Economic Analysis of the U.S. Department of Commerce on April 20 released their latest estimates of state personal income. Their current estimates put Virginia up where it belongs for both 1986 and 1987: they now show Virginia ranked tenth among all states in personal income per capita in both years. You may recall that the BEA's April 1987 estimates had placed us in the top 10 for 1986, but their August 1987 revisions moved us to the eleventh spot.

They now have corrected their August injustice to us, restoring our 1986 rank to tenth as well as placing us firmly in that same number 10 position for 1987 with an income per capita of \$16,322, exceeding the national average by \$982.

Table IV shows the income per capita for the top ten states and the national average for 1986 and 1987 along with the growth rates (in current dollars) for those two years. For 9 of the top 10 states, personal income growth slowed in 1987. Only Alaska, recovering from recession conditions, improved its performance in 1987. More generally, 37 of the 50 states experienced slower nominal growth in 1987; and, after adjusting for inflation, the average real gain was the smallest since 1982.

Chart I

Nine Selected Business & Economic
Indicators Percentage Change

Percentage Change April, 1988 from April, 1987

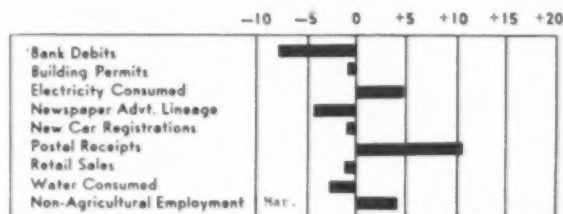
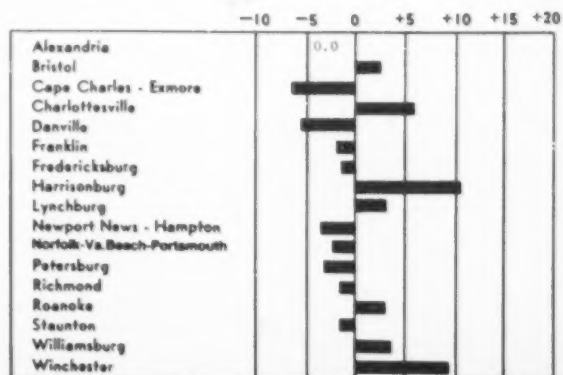


Chart II

City Indices

Percentage Change April, 1988 from April, 1987



**SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES**

TABLE I April 1988

Monthly Index Number Comparisons of Current Month to
Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINES	NEW CAR REGISTRATIONS	March NON AGRICULTURAL EMPLOYMENT†	WATER CONSUMED	RETAIL SALES‡	POSTAL RECEIPTS
The State		428.8	171.8	142.1	114.4	159.1	141.5	87.5	153.5	440.5
Alexandria	158.4	499.2	152.1	150.8	N.A.	112.9	197.4	90.1	176.1	N.A.
Bristol	110.1	N.A.	183.8	112.2	70.9	104.8	117.9	107.9	122.4	N.A.
Cape Charles - Exmore	154.1	N.A.	481.4	N.A.	N.A.	103.1	N.A.	N.A.	106.3	348.1
Charlottesville	198.4	176.4	133.5	129.9	N.A.	110.2	114.6	122.5	262.5	322.8
Danville	131.2	N.A.	472.4	103.3	125.6	86.6	99.3	90.1	N.A.	282.3
Franklin	130.8	N.A.	158.2	105.8	124.2	96.7	N.A.	81.0	117.7	285.8
Fredericksburg	320.6	217.3	142.5	N.A.	184.1	181.3	N.A.	75.7	254.7	1038.8
Harrisonburg	195.4	271.2	821.6	N.A.	173.6	96.6	N.A.	142.6	205.5	340.6
Lynchburg	257.3	507.0	162.6	122.8	N.A.	112.5	100.3	118.3	188.9	997.6
Newport News - Hampton	132.4	N.A.	292.2	126.2	91.6	81.3	141.6	100.0	171.4	N.A.
Norfolk - Portsmouth	150.7	580.5	243.4	154.7	154.7	105.4	N.A.	81.0	187.6	N.A.
Petersburg	140.6	126.9	76.8	N.A.	13.6	70.7	133.0	N.A.	177.1	250.2
Richmond	178.5	454.7	179.2	157.5	123.5	132.4	N.A.	105.1	166.4	396.8
Rossmore	178.1	164.5	N.A.	107.8	160.9	88.6	120.6	102.4	207.1	402.5
Staunton	145.4	151.8	90.7	N.A.	94.9	89.9	N.A.	N.A.	136.9	277.1
Williamsburg	177.7	157.6	18.1	169.0	N.A.	118.6	N.A.	101.4	157.8	381.5
Winchester	203.5	408.2	58.7	141.7	326.7	142.0	N.A.	N.A.	N.A.	N.A.

TABLE II April, 1988

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINES	NEW CAR REGISTRATIONS	March NON AGRICULTURAL EMPLOYMENT †	WATER CONSUMED	RETAIL SALES ‡	March RETAIL SALES §
The State		-7.9	-0.7	4.9	-4.8	-0.1	4.4	-2.4	-1.2	-1.7
Alexandria	0.0	10.6	125.2	6.7	N.A.	3.5	6.2	-2.6	-2.7	-7.9
Bristol	2.6	N.A.	11.5	2.2	-8.8	45.6	5.6	1.7	-9.3	4.6
Cape Charles - Exmore	-6.4	N.A.	16.9	N.A.	N.A.	23.1	N.A.	N.A.	-16.7	-5.0
Charlottesville	5.3	-41.8	560.7	1.3	N.A.	-2.9	6.0	6.1	10.1	1.6
Danville	-5.2	N.A.	403.1	-4.3	-11.4	0.0	2.0	-34.7	N.A.	17.2
Franklin	-1.9	N.A.	8.5	-5.3	-6.5	1.7	N.A.	-9.9	-3.8	14.6
Fredericksburg	-1.5	2.6	-46.6	N.A.	1.1	-0.7	N.A.	22.0	-5.8	-15.7
Harrisonburg	11.3	-9.1	80.0	N.A.	12.0	-6.8	N.A.	14.4	17.1	10.1
Lynchburg	2.7	17.6	-0.1	0.9	N.A.	19.5	1.8	6.1	-2.5	0.8
Newport News - Hampton	-3.6	N.A.	28.1	6.1	-2.7	-22.5	3.5	-12.9	3.9	-15.8
Norfolk - Va. Beach - Portsmouth	-2.2	-13.4	-3.8	2.9	-2.7	-13.0	3.1	3.1	-1.9	-7.5
Petersburg	-2.9	-54.3	-69.1	N.A.	-14.9	-3.8	3.8	13.2	-7.4	0.6
Richmond	-1.5	-7.6	-55.3	4.8	-9.6	2.9	N.A.	9.2	-7.3	-3.1
Rossmore	2.8	-7.1	N.A.	2.1	-10.4	11.2	0.3	1.5	0.8	18.1
Staunton	-1.8	-8.2	36.9	N.A.	-1.4	-6.0	N.A.	N.A.	-1.3	1.3
Williamsburg	4.0	-13.8	23.2	7.9	N.A.	15.7	N.A.	11.9	0.6	-9.2
Winchester	9.6	15.5	-57.7	3.7	3.5	13.2	N.A.	N.A.	N.A.	17.9

TABLE III

Percentage Change January - April from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINES	NEW CAR REGISTRATIONS	Jan.-Mar. NON AGRICULTURAL EMPLOYMENT†	WATER CONSUMED	RETAIL SALES‡	Jan.-Mar. RETAIL SALES§
The State		-7.2	10.8	6.7	-0.2	7.5	4.5	2.0	-0.6	2.3
Alexandria	-0.7	9.1	89.7	8.7	N.A.	6.1	6.4	1.3	-8.0	-3.7
Bristol	0.9	N.A.	34.2	5.1	-12.3	31.2	5.6	3.6	-6.4	-6.0
Cape Charles - Exmore	2.0	N.A.	88.3	N.A.	N.A.	34.3	N.A.	N.A.	-5.9	-6.5
Charlottesville	7.5	-37.8	53.4	3.9	N.A.	14.6	6.7	3.7	9.3	3.2
Danville	11.9	N.A.	74.0	1.4	2.8	37.4	2.0	13.4	N.A.	14.5
Franklin	-4.1	N.A.	165.0	1.1	3.2	-15.0	N.A.	-7.1	-3.0	-5.9
Fredericksburg	4.1	9.6	-68.1	N.A.	3.0	3.5	N.A.	23.0	1.4	-5.1
Harrisonburg	9.0	4.1	-33.1	N.A.	19.1	6.0	N.A.	13.8	5.2	8.3
Lynchburg	2.4	0.4	-5.3	3.5	N.A.	15.9	0.8	-0.9	1.5	-4.4
Newport News - Hampton	-1.3	N.A.	21.3	4.4	-3.3	-10.1	3.5	-6.5	1.2	-5.1
Norfolk - Va. Beach - Portsmouth	2.0	-17.9	-1.6	8.7	-3.0	-3.0	3.7	3.7	4.0	-3.6
Petersburg	4.5	6.7	4.2	N.A.	-6.2	23.8	4.1	15.6	1.0	-4.0
Richmond	2.4	-4.1	-31.1	5.8	0.0	9.5	N.A.	7.8	-2.2	1.4
Rossmore	2.5	-5.2	N.A.	4.7	-0.2	3.7	0.6	6.6	-0.8	9.6
Staunton	10.7	2.5	-9.2	N.A.	5.2	25.2	N.A.	N.A.	13.2	-5.9
Williamsburg	1.3	-5.7	12.5	5.5	N.A.	6.8	N.A.	1.0	0.1	-6.6
Winchester	10.3	9.8	-52.8	2.5	N.A.	21.5	N.A.	N.A.	N.A.	7.2

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
†Virginia Employment Commission data which lags behind current reports.
‡Preliminary data based on a survey sample.
§Revised data based on sales tax information which lags behind current reports.
||Only total MSA data are available for these areas.

N.A. - Not Available
O.O. - No Change

Virginia's per capita income growth did decelerate from 6.4% in 1986 to 5.6% in 1987. The slowdown was the product of slower growth in total personal income, 7.6% versus 8.1%, and higher population growth, 1.9% compared to 1.6%. The high population growth, fueled by immigration, can be expected to continue in the near future due to our well-above-average job growth, even though total income growth is slowing down. Therefore the per capita income growth most likely will continue to slow modestly this year. However, from the table you will see that in 1986 and 1987 our per capita growth not only exceeded the national average but also the growth rates of five of the nine states with incomes higher than ours.

We are continuing to close the gap relative to those five states, in particular the gap between us and Illinois: their \$25 advantage in 1987 will be wiped out in 1988 if we maintain even a small differential over their growth rate. Furthermore, our immediate competition for the top ten, Delaware (11) and Nevada (12), both are growing more slowly than Virginia. Our top ten ranking appears quite secure at this time, with a high probability that next April's BEA report will show Virginia's per capita income is the ninth highest in the nation.

Metropolitan Area Personal Income, 1986

On May 4 the Bureau of Economic Analysis released their estimates of resident personal income income per capita through 1986 for each of the 317 Metropolitan Statistical Areas (MSAs) in the nation. Data for the eight MSAs either totally or partially within Virginia's borders are presented in Table V, on the back page. The first two columns show the per capita income and income as a percent of the national average.

Four of the metropolitan areas had 1986 per capita incomes clearly below the national average; two, Roanoke and Charlottesville, were within a few dollars of the average; and only two, the Washington, D.C.-Maryland-Virginia MSA (henceforth referred to as the Washington MSA) at 137.6 percent and the Richmond-Petersburg MSA at 111.9 percent, had incomes per person clearly above the nation's

average. These latter two MSAs also were the only area ones whose per capita income exceeded the Virginia average. Thus, the income per person in six of Virginia's eight MSAs is not exceptional: more than average by national standards, and below average for Virginia.

How do these MSAs' per capita incomes compare to those in other metropolitan areas? There are 317 such areas, so the top 79 would be the upper quartile. The Washington MSA, ranked tenth in the nation, and Richmond-Petersburg, ranked forty-sixth, were Virginia's two members of that top group. Three MSAs, Charlottesville (#89), Roanoke (#90), and Norfolk-Virginia Beach-Newport News (#134), fell in the second quartile, or top fifty percent of the nation's metropolitan areas. However, three of the state's MSAs were ranked in the bottom quartile, the 79 lowest income (per person) MSAs in the nation: Lynchburg, in position number 248; Danville in the 271 spot; and the Johnson City-Kingsport-Bristol TN-VA MSA ranked 297 out of 317 with a per capita income of \$10,749.

Are differences in growth rates closing the income gap among Virginia's MSAs? The answer is no. The last column of Table V shows the percentage change in personal income per capita for each MSA, Virginia, and the nation for the period 1984-1986. The three highest income MSAs also were the three most rapidly growing ones in Virginia: Washington, Richmond-Petersburg, and Charlottesville were 1-2-3 in level of income per capita and 2-1-3 in 1984-1986 growth rates. At the other end, Lynchburg, Danville, and Johnson City, etc. ranked 6-7-8 in level of individual income and 7-8-6 in rates of growth.

Virginia's experience parallels the nation's. At the national level the 15 MSAs with the highest per capita income generally had high 1984-1986 growth, while the 15 lowest in level also tended to have low recent growth. In Virginia at least, the high income, high growth areas are ones where service jobs (public, including government, as well as private) dominate, while the low income, low growth MSAs are those with relatively high job shares in manufacturing. Through 1986, manufacturing was not a strong contributor to MSA growth. We look forward to a more prominent role for manufacturing, particularly the export-related industries.

RLP

TABLE IV

STATE PER CAPITA PERSONAL INCOME,
1986 and 1987

	Dollars Per Capita		Rank Among		Percent Change	
	1986	1987	1986	1987	1985-86	1986-87
Connecticut	\$19,625	\$20,980	1	1	7.5%	6.9%
New Jersey	18,866	20,067	2	2	7.0	6.4
Massachusetts	17,657	18,926	4	3	8.2	7.2
New York	16,958	18,055	5	4	7.3	6.5
Alaska	18,016	17,886	3	5	-2.6	0.7
Maryland	16,863	17,722	6	6	5.6	5.1
California	16,863	17,661	7	7	5.1	4.7
New Hampshire	16,321	17,133	8	8	6.3	5.0
Illinois	15,533	16,347	9	9	5.4	5.2
Virginia	15,461	16,322	10	10	6.4	5.6
United States	\$14,676	\$15,340	--	--	5.2%	4.8%

Source: Bureau of Economic Analysis, U.S. Department of Commerce, April 20, 1988

TABLE V

VIRGINIA METROPOLITAN AREA PER CAPITA PERSONAL INCOME, 1986

	Per Capita Personal Income 1986	Percent of National Average 1986	Rank Among 317 Metropolitan Areas 1986	Total Percent Change 1984-1986
Washington, DC-MD-VA	\$20,148	137.6	10	15.0%
Johnson City-Kingsport- Bristol, TN-VA	\$10,749	73.4	297	11.2%
Charlottesville, VA	\$14,678	100.3	89	16.6%
Danville, VA	\$11,560	79.0	271	7.2%
Lynchburg, VA	\$11,970	81.8	248	9.9%
Norfolk, VA Beach- Newport News, VA	\$13,866	94.7	134	12.9%
Richmond-Petersburg, VA	\$16,385	111.9	46	14.4%
Roanoke, VA	\$14,623	99.9	90	12.5%
Commonwealth of VA	\$15,461	105.6	--	14.0%
United States	\$14,639	100.0	--	11.6%

Source: Bureau of Economic Analysis, U.S. Department of Commerce, May 4, 1988.

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